

the Eussian fleet. It was shown that this result was due to the action of bankers in Paris and Berlin (who held Consols largely), in selling their holdings at once upon the occurrence of actual hostilities.

Apart from the irrecoverable waste of the means of industrial production in war, we may thus summarise the general effects in their relation to the prices of securities: (1) External commerce is restricted, in consequence of interrupted communications, uncertain markets, and the difficulty of measuring the solvency of merchants in respect of the discharge of their debts for goods: the savings available for investment are thus reduced; (2) the activity of internal trade is naturally lessened, if only by reason of diminished exports; (3) the constant foreign demands for gold deplete the National Eeserve in the Bank of England, and demand an increase "in the rate of discount for its protection and resupply ; (4) this advanced rate reacts, by the onerous charge for borrowed capital, upon home and foreign enterprise alike; (5) the rate of interest further diminishes and annuls the practicability of speculative purchases upon the Stock Exchange which would have 'aided the maintenance of prices; and (6) the creation of additional Gpvernment indebtedness for warlike preparation and action, adds to the stock of existing securities, while concurrently, it diminishes the scale of demand for them by abstracting funds in loans, and the imposition of the fresh taxation which new borrowings entail, * Moreover, the new Government issues tend in another form to depress the value of the existing issues. In all probability these additional creations of debt will bear, as a necessary attraction, a higher rate of interest than that . current upon similar stocks ; and since the security for the two is precisely identical, holders of former issues would be tempted to sell (and bring down the value), in order to invest the proceeds in the new stock with its superior yield. If war, for example, should arise between England and Kussia, the volume of British and Indian Government Securities would receive the increment of stock, with the resulting effect upon existing prices which

has been described.

On the other hand, it should be noted that many industrial undertakings would show an increased earning capacity, to be